



CHEMONICS INTERNATIONAL INC.



**FIFTH QUARTERLY REPORT**  
**January-March, 2004**

**BOLIVIA TRADE AND BUSINESS COMPETITIVENESS: BTBC**

**USAID/Bolivia**  
**Economic Opportunities Strategic Objective Team (EO SOT)**  
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## SECTION I

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### Introduction

This is the fifth quarterly report for the **Bolivian Trade and Business Competitiveness** (BTBC) project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International, Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date is December 31, 2004, with a possible extension through March 31, 2005. The overall objective of project activities is to help Bolivia reduce the poverty level through greater investment and creation of employment, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute in creating this “productive environment” include:
  - Effective institutional, legal, administrative and regulatory conditions;
  - Development of human resources, especially in the area of foreign trade and negotiation, and;
  - Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the ATPDEA.
- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale.

## **SECTION II**

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### **Key Achievements During The Quarter**

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. Communications Campaign: “Foreign Trade and National Development”**

On January 12, 2004, as part of a full and open competition process, an evaluation committee composed of the Chamber of Exporters (CAMEX), USAID/Bolivia, and BTBC awarded the implementation of the Communications Campaign to the firm Tironi & Asociados, SEC. Since then, BTBC has been working intensively with CAMEX and Tironi in the design of both the media campaign and the training seminars. In February and March, Tironi led a series of meetings with mass media representatives in order to present the objectives of the campaign and ask for their participation. CAMEX, with input from BTBC, USAID/B, and Tironi (who together form the “Communications Program Steering Committee”) identified a group of 32 medium and small exporters to participate in the campaign as spokespeople for the private sector. Tironi provided this group with media training to prepare them to be better able to face the press when questioned about trade issues. Tironi also provided training to a group of selected journalists and entrepreneurs consisting of a short but substantive course on the importance of trade liberalization for national development.

##### **A.2. National Intellectual Property Service (SENAPI) Institutional Reform**

BTBC concluded an initial proposal for the institutional reform of SENAPI in mid-March which we presented to Ana María Solares, the Vice Minister of Industry, Commerce and Exports from the Ministry of Economic Development’s (MDE). The proposed changes to this institution are in line with the objectives to modernize its dependent organizations dealing with foreign trade and competitiveness issues. SENAPI is the first of these institutions to have a reform plan with clear-cut objectives, vision and well designed operational and administrative manuals. In response to the presentation, Vice Minister Solares requested a series of changes to the proposal in order to adjust the “ideal” reform plan to current very restrictive budgetary considerations. BTBC consultants are working closely with Vice Ministry representatives on these adjustments in order to produce a final proposal before the end of April.

##### **A.3. Proposal to Strengthen the Intellectual Property Rights (IRI) Regime in Bolivia**

BTBC completed the report at the end of March. It includes a review of IPR in Bolivia, a comparative analysis of IPR in the Andean countries, and a plan for the dissemination of the study and for the promotion in Bolivia of the applicable IPR norms and regulations. Consultants are now editing these documents for publication and distribution.

#### A.4. Assistance in the Hydrocarbons Sector

At the end of January, BTBC presented the Ministry of Mining and Hydrocarbons with a benchmark study on hydrocarbons royalty and tax regimes around the world. This study has proven to be a valuable contribution in the negotiation process the GOB is conducting with hydrocarbons companies operating in Bolivia, to reform the Hydrocarbons Law and its associated tax regime. The fact that this study was produced by an independent, highly specialized, and prestigious international consulting firm subcontracted by BTBC enhanced the credibility of its findings and the GOB's authority in the negotiations. In this way, the study has contributed in a positive fashion to one of the most important policy debates in the country; the drafting of the new Bolivian Hydrocarbons Law.

#### A.5. Other Assistance to the Government of Bolivia

Three BTBC consultants are assisting the Ministry of Economic Development analyze and formulate policies in key areas of domestic use of natural gas, housing policy, trade and investment policy, enterprise restructuring and bankruptcy law, and regional development and decentralization.

### B. Activities to Stimulate Competitive Production of Goods and Services and Private Sector Exports

Following the start-up phase and the approval of the pool of consultants, in 4Q03 and 1Q04, the level of BTBC activity has increased substantially. As projects mature, there has also been significant growth in employment and exports due to BTBC assistance, as illustrated in the following table:

#### Estimated Results in Support of the Productive Sector to March 2004

<i>Companies</i>	<i>New Employees</i>	<i>New Exports US\$</i>	<i>New SMEs in export chains</i>
Textiles and Apparel	469	1,507,500	23
Secondary Wood Products	625	1,017,440	11
Jewelry	112	3,800,000	0
Leather	108	300,000	35
<b>TOTAL</b>	<b>1,314*</b>	<b>6,624,940</b>	<b>69</b>

\* The figure has been adjusted for seasonal employment. A higher number (1,833) were actually created. See discussion below.

- BTBC deployed the consultant pools in apparel and secondary wood products. The fifteen consultants are providing assistance to 23 companies in Bolivia.
- In collaboration with UPC (GOB's Productivity and Competitiveness Unit), BTBC is utilizing the pool consultants to provide export-oriented training for instructors. To date,

- three training seminars have been delivered in La Paz, Cochabamba, and Santa Cruz, with a total of 147 attendees.
- BTBC helped Asea, an apparel manufacturer, put its Cochabamba plant into operation, creating 150 new jobs.
- BTBC assisted Confecciones Record, a producer of jeans, to expand its manufacturing operations by moving finishing and packaging to its new premises in the Santa Cruz industrial park, creating 125 new jobs, and sub-contracting production to two new SMEs.
- BTBC facilitated Maquibol's (a textile/garment manufacturer) increased production in response to greater demand, creating 125 new jobs, and sub-contracting production to nine new SMEs.
- BTBC consultants assisted United Furniture Industries to recruit and train 938 new workers to service a COSTCO purchase order, more than doubling United's payroll in El Alto, to 1,438. Because the new jobs are seasonal, they have been adjusted by half in our job creation figures 469, rather than 938. This level of employment is likely to see significant seasonal oscillations because COSTCO's order is for garden furniture that is in demand in spring and summer only. At the same time, it should be recognized that the full number of 938 workers were trained.
- BTBC is working with Casablanca furniture, a North Carolina-based furniture broker, in assisting the company to increase the number of SMEs under sub-contract to eleven.
- BTBC helped secure a major order from Dekker Corporation of the Netherlands for Pacahuaras, a wood industry manufacturer. Consultants are playing an instrumental role in Pacahuaras' expansion and new investments in Riberalta in northern Bolivia.
- BTBC consultants are advising Ultimate Design Furniture in the expansion of its factory floor from 3,000 sq. ft. to 8,000 sq. ft. The company is now exporting two 40-foot containers every 45 days.
- BTBC worked with Macaws, a leather manufacturer, to generate 108 new jobs, incorporating 35 new SMEs into the production chain. In addition, through the BTBC assistance program, Macaws has trained 98 people in leather upholstery, renewed its ISO certifications (Macaws is possibly the first company in Bolivia to be certified under ISO 18001), improved productivity by 8% and SME income by 20%, developed two new web pages and 17 new products.
- BTBC provided funding to finance Bolivian vendors' attendance to Magic Marketplace February 2004, generating expected exports of \$600,000.

### **C. Activities to Define, Develop, and Analyze Long-term Interventions**

In compliance with Specific Objective No. 2 under this Task Order, during this quarter BTBC completed and submitted to USAID/B the BTBC Phase II Conceptual Framework, which includes:

- BTBC results to date and lessons learned
- Operating framework for BTBC II
- BTBC II program pillars
- Recommended program activities

## SECTION III

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### Detailed Quarterly Results

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. Communications Campaign: “Foreign Trade and National Development”**

Once the Communications Program Steering Committee (comprised of the Chamber of Exporters, BTBC, and, USAID/B) awarded implementation of the Communications Program to Tironi and Associates in mid-January, a period of several weeks to negotiate the contract followed, including a detailed and precise definition of deliverables, timelines and responsibilities. The Negotiation Memo and the Subcontract were concluded in the month of March, and are currently (April 2004) under review by USAID/B for final approval.

The Steering Committee and selected stake holders convened 14 times to discuss with Tironi and its technical associates all matters of concern for the start of the campaign. A succinct summary of the activities already under implementation includes:

- Development and approval by the Steering Committee of the basic creative pieces of the campaign, the logo, the central campaign theme, the main radio and TV slogan, and the structure of the TV spots, as well as the tool kit with the information on the campaign.
- Approval of the software to monitor the financial and operational activities of the campaign. Once the subcontract is signed, BTBC will begin using the software to supervise and monitor all campaign financial and implementation activities.
- Agreement on the contents and purpose of the Data Room, which will act as the official electronic site of the campaign.
- Officials from BTBC and Camara de Exportadores de La Paz, visited the cities of Santa Cruz, Cochabamba, Sucre, Potosi and Oruro to meet with representatives from the most important newspapers, TV Networks and radio stations, in order to inform them about the Communications Program and set the basis for a comprehensive, well-prepared and well-informed news reporting process. These visits confirmed the interest and excellent predisposition of the mass media representatives to support and be part of the campaign.
- Tironi presented a general overview of the Communicational Campaign to mass media representatives in La Paz.
- Tironi selected and trained 32 spokespersons for the campaign (private businessmen and export leaders selected because of their attitude, entrepreneurial success in exports and personal charisma) in “media trainings” held in the cities of La Paz, Cochabamba and Santa Cruz. As part of the Communications Program, we expect that these speakers will be better equipped on how to deal with the media when confronted with foreign trade and trade association issues, as well as to have the presence of mind to deal with the complexities of being a “public figure.” Some of these speakers will participate in other

campaign activities and serve as permanent advocates for the benefits of foreign trade for the development of Bolivia.

- Approximately 60 journalists participated in the “Workshops on Foreign Trade for Journalists” by lecturer Gonzalo Chavez, Director of the Master’s Program for Development at Catholic University (in cooperation with the University of Harvard) in La Paz. These workshops took place in the three main Bolivian cities (La Paz, Santa Cruz and Cochabamba). The attendance and the importance of the issues discussed, make these the workshops made them a first major achievement for the campaign.
- Discussing the contents, participants and messages of the TV spots (the most important component of the mass media segment of the Communicational Program), including extensive work with focus groups, required a multiple, long meetings of the Steering Committee, including a dynamic exchange of ideas on relevant issues. As this report is being written, all Committee members have basically agreed on the orientation of the spots and those of the other creative pieces (radio and posters), the productive sectors to be visualized in each of them and the messages to be conveyed to the general public.
- BTBC developed an initial list of potential international speakers to be invited to participate in the speakers’ series of the campaign.
- A number of activities that are not part of the Tironi contract but related to the campaign BTBC have been discussed with the project CTO and EOSOT Office at USAID/Bolivia. Among these are: foreign travel for selected campaign speakers and other special guests; travel and logistics for the local and international speakers; and special seminars and events to promote and discuss the central issues covered by the program.

## **A.2. National Intellectual Property Service (SENAPI) Institutional Reform**

BTBC is currently reviewing the study completed at the end of March. As per the terms of reference, it includes the following components:

- A document on “Intellectual Property Rights in Bolivia,” which is the basis for a publishable document and includes a conceptual, legal and institutional framework on the subject.
- A compilation of “Current Property Rights Norms in the Republic of Bolivia,” which gathers all the IPR norms currently used in the country, including those that arise from international commitments.
- A document entitled “Comparative Analysis: The Intellectual Property Rights Treatment in the Andean Countries,” based on three areas: the legal framework, property rights protection and institutional strengthening.
- A document on: “Guidelines for a Strategy for the Protection of Intellectual Property Rights in Bolivia.”
- The Operative Plan for the presentation of the study and for the promotion of the applicable norms and regimes of Intellectual Property Rights in Bolivia.

With the conclusion of this study, the GOB will have an instrument for discussion, information dissemination and promotion of applicable guidelines in Bolivia regarding intellectual property rights. We believe that it will provide an adequate framework to help enforce compliance with



current IPR norms in Bolivia and to enforce compliance with international agreements on the subject.

### **A.3. Proposal to Strengthen the Intellectual Property Rights (IRI) Regime in Bolivia**

The consultancy began in November 2003. On March 17, 2004 BTBC presented Vice Minister Ana María Solares a report on the situation of SENAPI and recommendations for its urgent reform. While the Vice Minister agreed with the grim diagnosis of SENAPI's situation, as well as on the general guidelines for its reform, she considered the proposal too ambitious and expensive to be implemented under the current GOB fiscal situation.

The Vice Minister requested further analysis regarding the possibility of extending SENAPI's responsibilities over other areas of property rights, such as agrochemicals and seeds. Discussion with the Vice Ministry included the administrative steps necessary to carry out the reform, the need for a strategic plan, as well as the need to establish a modular process for the implementation of the Reform of SENAPI.

In order to accomplish the required adjustments and provide a gradual and modular approach to the reform process, BTBC extended the contracts of three members of the reform team for 18 additional days. During this time they will work closely with GOB officials to produce a final proposal for the institutional reform of SENAPI.

The project to reform SENAPI includes an administrative and operational reorganization, and the design of an institutionalization process of all posts, in the framework of Law 2027 "Public Employee Statute." The institutionalization of SENAPI personnel falls within current GOB policies. We believe that this commitment will translate into the signing of an Institutional Reform Agreement for the execution of all recommendations of the reform that BTBC is formulating.

We believe that the lobbying effort associated with this project will lead not only to a strengthening of the institution responsible for guaranteeing the application of IPR regulations, but also to a Supreme Decree that will specifically confirm the application in Bolivia of the Andean Community Decisions regarding intellectual property rights. This will allow the country to achieve better levels of compliance with its international agreements and avoid sanctions related to bilateral and multilateral commercial agreements.

### **A.4. Assistance in Training Bolivian Negotiators**

On March 23, 2004, BTBC signed a subcontract with Florida International University (FIU) to carry out three courses in international negotiations, as part of the support BTBC is offering the GOB and the Bolivian private sector to improve its capacity to participate in the hemispheric and global economy. The courses are:

- International Trade Negotiations Skills
- Market Access
- Trade Agreement Impact Analysis

The first of these courses was inaugurated on March 31<sup>st</sup> and included 32 participants, 21 from the public sector (primarily from the Ministry of Foreign Relations, but also from Economic Development, Agriculture, and Customs) and 11 from private business and export organizations and technical entities. The next Quarterly Report will describe course implementation.

#### **A.5. Study of the Sectorial Impact of Bolivia's Entry into FTAA**

This study was initiated in December 2003, which full implementation beginning January 2004. In order to gather valuable information from the private sector, BTBC, along with the team of consultants, organized three focus groups in Santa Cruz and Cochabamba. This successfully accomplished the following objectives:

- Gather information on the national negotiation agenda and commercial policy, from the private sector perspective;
- Understand how Bolivia is taking advantage of the trade treaties and trade associations it belongs to; and,
- Analyze possible trade scenarios and the private sector position.

Thirty-eight business and academic representatives attended these focus groups. The meetings proved to be extremely useful in capturing their perception and positions regarding possible outcomes to be derived from participating in the FTAA. The consultants also visited a significant number of companies in order to gather statistically valid information about their perception of FTAA. Both the results of the survey and of the focus groups will be included in the final report of the study.

The main task of the consultant team during this period has been to gather and analyze export and import data from Bolivia and its current and potential trade partners in the Americas. Through a variety of statistical and econometric techniques, this data is being used to identify new markets for Bolivian goods, as well as current markets that might be threatened by new competitors once FTAA gets under way.

The study will contribute to:

- A serious and informed debate on possible FTAA repercussions,
- Improve conditions for participation in FTAA negotiations,
- Anticipate problems with sectors that will be affected by the trade liberalization process,
- Take advantage of opportunities for sectors benefited by FTAA,
- Contribute to the formulation of public policy and programs aimed at improving the competitiveness of Bolivian products.

A first draft of the study was concluded on March 31<sup>st</sup> and is currently under review.

### **A.6. Study on the Prospects of the Soybean Sector in the FTAA**

This study will provide Bolivia with a much needed analysis of the potential impact of trade liberalization on the country's leading export sector. We believe that the report will be crucial to the private and public sectors in better understanding potential market losses as well as to prepare public policies, actions and interventions to diversify exports and minimize the effects of competition from other vegetable oil producing countries.

Four consultants are currently working in this document and the report should be presented in final form by April 15. Consultants have written their first drafts which are now ready for final discussion and revision by the team leader. One of the most important findings arising from the periodic discussions on this document is that it will heavily focus its conclusions on building competitiveness within the Bolivian oilseeds sector, including an analysis of its strengths and weaknesses.

### **A.7. Assistance in the Hydrocarbons Sector**

The British firm Target Consulting, subcontracted by BTBC, concluded the study on benchmarking of fiscal and royalty tax regimen worldwide on February 19, 2004. The Ministry of Mining and Hydrocarbons reviewed the report and has formally accepted the study. Additionally as a follow up to this support, on March 15, 2004 Francesco Zaratti was hired as a consultant by BTBC to advise the Ministry of Mining and Hydrocarbons on issues related to energy and hydrocarbons policies, and particularly in the formulation and negotiation of the new Hydrocarbons Law. With USAID/Bolivia's consent, part of the computer equipment that has been leased to facilitate the work of the consultants hired by the Ministry of Mining and Hydrocarbons to work on the reform of the Hydrocarbons Law will be donated to the Ministry.

Issues related to hydrocarbons, particularly the exploitation, taxation, and export of natural gas, are among the most sensitive political issues in Bolivia today. How these issues are resolved – especially whether solutions are based on passionate political positioning or a prudent analysis of the facts – is crucial to Bolivia's future. We believe the study has made a major contribution to this dialogue process. As noted above, the study enhanced the credibility of the GOB position and its authority in the negotiations

### **A.8. Consultancies to Support the Ministry of Economic Development (MED)**

Three BTBC consultants are assisting the MED until April on a series of topics related to competitiveness and exports, including:

- Identification and assistance to SMEs with export potential
- Development of policies and new financial instruments to take advantage of ATPDEA
- Monitoring and evaluation of production and exports
- Policies to foster competitiveness
- Behavior and projections of the Bolivian economy

- Improvement of government procurement mechanisms
- Private investment promotion
- Public investment policies

## **B. Activities to Stimulate Production and Exports**

### **B.1. Textiles and Apparel**

#### **B.1.a. Projects Under the Consultants Pool**

Eleven consultants are now deployed and working under the “consultants pool,” which began operating in the second half of December 2003. The pool is a mechanism to maintain a portfolio of sector technical experts that can provide “just-in-time” assistance to sector firms. To date, the areas of expertise that have seen most demand from the companies are production systems, quality control and design and patterning. Business management and worker training have seen less demand in the first months, but are expected to gain substantial momentum during 2Q04. The pool has already provided various forms of assistance to 14 companies in the main Bolivian cities. Work has also started in cameloid wools, through one of the pool consultants who specializes in this area. To ensure long-term impact as part of their mandate each pool consultant is intensively training one or two apprentices in each company to be their successors in their particular area of expertise as well as providing broader training to staff in general. In addition, the consultants are actively seeking market opportunities for the SMEs, assisting them in making market contact with larger companies that are capable of sub-contracting their production.

- Asea Ltda., Cochabamba: In January, this apparel manufacturer implemented its new plant in Cochabamba, increasing employment from 6 to 150 workers. BTBC consultants provided support in recruiting and training, electrical system design and implementation and plant and production layout. In addition to the 150 specialized workers, our consultants trained 40 apprentices in the use of varied equipment and machinery, in order to have a more versatile contingent of workers.
- Alfach Jeans, Cochabamba: The new plant was inaugurated on February 19, 2004. Three SMEs merged their operations in a single industrial facility. BTBC provided support in market linkages (subcontracting with Asea (see above) and Mitsuba, now representing 50% of Alfach’s production), production systems, management techniques (logistics, costs, production controls, inventory management) and quality control.
- Texturbol, El Alto: This vertically-integrated company has traditionally focused on the polyester and blended yarns segments. It spins polyester and blended yarns, and manufactures a variety of woven fabrics. During 1Q04, Texturbol began apparel manufacturing operations under sub-contract for Asea (arranged through BTBC consultants), utilizing cotton fabrics provided by Asea. On the basis of the cotton designs that it is manufacturing for Asea, Texturbol has started designing polyester garments for export to the US. Because Texturbol has just started its apparel manufacturing operations, BTBC is providing support in production systems and quality control. The BTBC

consultant working in Texturbol is Marco Antonio La Fuente, whose expertise is in quality production systems and quality control.

- Val Fal, El Alto: This small company provides apparel assembly services for Ametex and Maquibol (also recipients of BTBC assistance). With BTBC support, Val Fal has developed a line of children's clothing for export to Chile. The BTBC consultants working at Val Fal are Andrés Saldías (quality control) and Liborio Ajuacho (training for production-line workers).
- Mel Confecciones/BTX, Santa Cruz: This medium-sized company manufactures undergarments and swimwear. Mel is strong in marketing and has obtained export orders for a variety of other products, such as jeans, shirts and t-shirts, which it out-sources from other manufacturers. Mel is currently sub-contracting production from nine SMEs, which are all receiving support from BTBC in production systems and plant layout. The BTBC consultant that is working at Mel is Cesar Jaramillo, a Colombian expert in production systems.
- Jenecherú, Santa Cruz: This small manufacturer produces denim garments. With BTBC assistance, Jenecherú designed a denim collection which has been successful at the Magic Marketplace Show in Las Vegas (which it attended with BTBC assistance). Of 18 designs in the most recent Jenecherú collection, three have been accepted by clients in the US, and negotiations are underway to initiate production and exports. In addition to manufacturing its own designs, Jenecherú out-sources production from other SMEs and provides denim laundering services to third party companies. The BTBC consultant that is working in Jenecherú is Verónica Guardia, a Bolivian creative designer.
- Milos International, La Paz Milos: This company produces alpaca coats, jackets, suits and shawls targeted to the high-end market. All Milos products are Liliana Castellanos designs manufactured in-house. In addition, Milos sub-contracts production of macramé for shawls, generating jobs and business for numerous SMEs. Currently the company is exporting small quantities to Europe, Latin America and the US. BTBC is providing assistance to improve the productivity and quality control of the company.
- Altifashion, La Paz: This company is the largest manufacturer in Bolivia of alpaca coats and jackets. It is owned by Humberto Bohrt and Incalpaca (Perú). During their first year of operation they were subcontracted by Incalpaca and produced under a "maquila" scheme. This year they have started exporting directly to their own clients. They produce mainly under private label. BTBC supported the company in the areas of production planning and control.

### **B.1.b. Projects with Dedicated Consultants**

While consultants pool assistance is typically short term in nature, projects with dedicated consultants generally receive assistance for a longer period of time.

- **Confecciones Record, Santa Cruz:** This manufacturer of denim garments is exporting under the Jordache brand. Record is a success story, as with BTBC assistance it generated approximately 125 new jobs during the past ten months. With BTBC assistance, Record was able to implement a major restructuring of its production, incorporating efficient and internationally competitive techniques and workflows. As the implementation of the new production system progressed, it became apparent that Record's premises on Av. Teniente Vega were not large enough to house the expanded manufacturing operations. BTBC provided technical assistance to move the finishing and packaging operations to the industrial park. During 1Q04, Record moved its finishing and packaging operations to its new premises in the Santa Cruz Industrial Park, freeing up physical space to allow the major expansion that it has undertaken. BTBC has been assisting Record since June 2003, and has placed a full-time production expert there since December 2003. The BTBC consultant working at Record is Luis Eduardo Peñaranda, a Colombian expert in apparel production systems. During 2Q04, BTBC will provide additional technical assistance to Record in quality control and denim laundering.
- **Maquibol, La Paz:** This large apparel manufacturing company with approximately 300 factory workers out-sources production from 9 SMEs as well as undertaking outsourcing work itself from larger companies. With BTBC assistance, Maquibol has re-organized its apparel production system, incorporating internationally competitive techniques and workflows. Maquibol has generated approximately 125 new jobs during the past year with BTBC assistance (see results table below). The BTBC consultants working at Maquibol are Consuelo Hernandez (Peruvian apparel production expert) and Dario Meza (Colombian expert in sourcing and procurement).
- **Tres Colores, La Paz:** This small but very versatile apparel manufacturing company produces items ranging from caps and backpacks to overcoats. Initially, Tres Colores was intended to be a "maquicentro," joining production with another SME, Tomich, to manufacture jointly in the El Alto Industrial Free Zone. However, due to lack of clarity in free zone regulations, the two SMEs began joint production in Tres Colores' premises in La Paz. After only a couple of months, serious differences began emerging between the partners and they separated, dissolving the "maquicentro." Throughout this process, BTBC has provided assistance to both SMEs with consultants in management, finance and administration and quality controls. BTBC's intervention in Tres Colores will finish on April 15, 2004.
- **Cidex, Santa Cruz:** This group of four SMEs joined together to achieve three objectives: (i) to consolidate purchases and procurement in order to achieve a stronger joint negotiating position and thus better terms, (ii) to jointly create sufficient critical mass to obtain technical assistance and (iii) to achieve marketing synergies by eliminating duplication of costs and efforts involved in exporting to Chile. BTBC has assigned an expert in production systems to Cidex, who rotates among the four companies spending about a month at a time in each. BTBC production consultant Rolando Ramirez spent January in Makam, February in Dim's, March in Imagen and he will spend April in

Torino. Through a pool consultant, Emilio Gutierrez, BTBC is also providing these companies with assistance in business management beginning in March.

### Summary of Results to March 2004 - Textiles and Apparel

<i>Company</i>	<i>New Employees</i>	<i>New Exports US\$</i>	<i>New SMEs in export chains</i>
BTX (MEL CONFECCIONES)	35	52,000	9
D'TMS JEANS	13	5,000	0
CONFECCIONES RECORD	125	652,500	2
MAQUIBOL	125	175,000	7
ASEA LTDA.	150	600,000	2
ALFACH	13	17,000	3
VAL FAL	8	6,000	0
<b>Total</b>	<b>469</b>	<b>\$ 1,507,500</b>	<b>23</b>

### Textile and Apparel Exports from Magic Marketplace

(Note that there is partial overlap with the companies in the table above.)

MAGIC AUG 2003 (actual to Mar 04)	512,000
MAGIC FEB 2004 (orders at Mar 04)	684,000
<b>Total</b>	<b>\$ 1,196,000</b>

### B.1.c. Additional activities

In addition to the aforementioned companies, BTBC identified four promising potential buyers, following up with personal visits, and has now put them into direct contact with Bolivian suppliers. These are:

- Fierres Inc: Mitsuba in Santa Cruz is developing samples of shirts and polo shirts with engineering stripes. Alfach (formerly Comboex) in Cochabamba is developing a collection of 6 children's jeans.
- Dali Overseas: Confecciones Record in Santa Cruz is quoting jeans and Mitsuba is quoting polo shirts with engineering stripes.
- Topsville: Alfach is sending a sample collection of embroidered children's garments.
- Nash: Confecciones Trailer in Cochabamba is quoting women jeans.

### B.2. Secondary Wood Products

#### B.2.a. Projects under the Consultants Pool

Five of the six pool consultants in secondary wood products pool have begun working with project client companies. The sixth, Paul Padilla, will begin working in early April. The pool consultants have already made interventions in nine Bolivian companies, including:

- Casablanca International, a North Carolina-based broker founded by two Bolivian expats is generating numerous orders from US customers, and supply-side logistics. As orders grow, working capital is becoming a serious constraint to the growth and continuity of the business. Casablanca does not have in-house manufacturing and outsources all of its products. Casablanca's business has grown over the past 18 months to the point that it is now sub-contracting to eleven SMEs in Bolivia, producing an astonishing array of products, exceeding 200 different pieces. To date, assistance to Casablanca has been through a pool consultant working with several of the SMEs manufacturers. Additionally, BTBC aims to support our consultant, Mario Landivar, with one "general coordinator" to assist in production control, procurement, shipments and cash management, and three production experts to assist the 11 SMEs that are producing for Casablanca.
- Muebles Hurtado, Santa Cruz. Hurtado is a medium-sized furniture manufacturer, exporting to Casablanca and Tucano Woods in the US and to Berga Form in Sweden, as well as selling in the domestic Bolivian market. BTBC pool consultant Victor Hugo Gutierrez has assisted Hurtado in implementing two production shifts (one for indoor furniture and domestic market, the other for garden furniture), production programs for each client, and production efficiency controls.
- Somaín, Santa Cruz. A small furniture manufacturer, BTBC introduced the company to Casablanca from whom it has obtained purchase orders to export to the U.S. A pool consultant, in order to ascertain the plant's capacity, has performed an analysis of Somain's machinery and physical space. On this basis, he has recommended substantial modifications to plant layout, which we expect to be implemented by early April. Somaín will commence export manufacturing with 120 units of style furniture, representing over \$50,000 in additional revenues for the company.
- Muebles Fátima. Santa Cruz Fatima is a medium manufacturer of furniture, exporting garden furniture to Casablanca in the U.S. BTBC pool consultant Victor Hugo Gutierrez has performed a preliminary analysis of production flows, and initial indications are that the plant needs several technical improvements in order to achieve better productivity. This will be addressed in detail in the second quarter of 2004.
- Mobilia, La Paz. Mobilia is a medium-sized furniture manufacturer. Under sub-contract for United (a Bolivian firm also working with BTBC), Mobilia is producing substantial volumes of parts and pieces for garden furniture (1,600 units per day). BTBC has provided assistance for manufacturing these parts and pieces through pool consultant Marco Schmidt, in production process design, training, production controls and costing. In addition, Mobilia is actively seeking direct export orders and is engaged in the process of counter-sampling and quoting. BTBC's consultant has been instrumental in helping Mobilia achieve competitive prices based on production run simulations. In particular, negotiations are ongoing with Kincaid Furniture of the U.S., which are expected to result in a significant purchase order in early May (four containers per month, amounting to about \$500,000 in exports during the first year).



- **Mabet, El Alto.** Mabet is a large manufacturer of doors exporting to the U.S. and Europe. The company needs to expand its production, but its principle bottleneck is in kiln drying its lumber inputs. BTBC pool consultant Silverio Viscarra has performed an analysis of Mabet's kiln drying practices, and is helping the company achieve significant improvements in efficiency and output through the implementation of a variety of specialized techniques.
- **Pacahuaras, Riberalta.** Through new investments, Pacahuaras is vertically integrating its operations to encompass forestry, sawmilling, kiln drying and manufacturing of flooring components on site in Riberalta in northern Bolivia. Pacahuaras has received initial purchase orders from Dekker Corporation of the Netherlands, for which the Dutch Cooperation Agency is reportedly matching the shareholders' investments with almost \$1 million. A BTBC pool consultant is overseeing the layout and implementation of the new machinery and equipment. In addition, Pacahuaras is obtaining international certifications for its production processes, for which BTBC pool consultant Silverio Viscarra will assist with specialized training in sawmilling and kiln drying. In a future phase, Pacahuaras is planning to expand its operations into manufacturing of garden furniture.
- **Ultimate Design Furniture, La Paz.** Ultimate Design is a manufacturer of high quality bookshelves. The company has expanded its factory floor during 1Q04 from 3,000 sq. ft. to 8,000 sq. ft. A BTBC pool consultant provided assistance in this expansion process in the areas of production layout, electrical design and installations, finishing plant design, and training in production and finishing techniques. BTBC wood specialist Jorge Moreira advised the company on procurement of new equipment, which has accelerated production by over 20%. Ultimate Designs is now exporting two 40-foot containers every 45 days, and plans to increase exports during 2Q04.
- **Ibema (Industria Beneficiadora de Madera), Cochabamba.** Ibema is a medium-sized manufacturer of furniture, which has obtained its first export orders by attending the High Point Furniture Market in North Carolina sponsored by BTBC. It is currently exporting about 10% of its production to the US, and sells the remainder on the Bolivian domestic market. Through a pool consultant, BTBC is providing additional assistance in expanding production, improving layout, training workers, finishing techniques and procurement of raw materials.

#### **B.2.b. Projects with Dedicated Consultants**

- **United Furniture Industries, El Alto** United is a large manufacturer of furniture, exporting almost 100% of its production to the U.S. United obtained a major purchase order from COSTCO for 200 containers of garden furniture, representing \$6.8 million in exports. In order to service this order, with BTBC assistance, United added 938 new jobs to its payroll, more than doubling employment in the company to a headcount of 1,438 (note: in terms of "jobs created," we divided this figure by half since these jobs were seasonal in nature, i.e., for approximately half the calendar year). Creating these 938 new jobs has been a major undertaking, involving interviewing thousands of candidates, selection, training and induction. BTBC is providing hands-on assistance to United in this accelerated expansion process through three dedicated human resource specialists to handle candidate generation,

selection and induction, and to provide advice to United on systems and policies to manage and control the huge increase in staff. Although seasonal, 938 workers were trained through this effort, making their future absorption to the workplace much easier. In addition, BTBC is providing two production experts to design and manage training for the new staff, with a significant component of on-the-job-training (OJT). Unfortunately, United has suffered delays on several COSTCO deliveries because of a shortage of working capital to obtain the increased volumes of raw materials and cover the higher operating costs (e.g. payroll has increased by almost \$50,000 per month). United estimates its working capital deficit is about \$1.5m. The first COSTCO order ended April 7, 2004, and United will have fulfilled only 42% (84 of the 200 containers) of the orders. This creates a risk that the order could be postponed for the next season or not renewed at all. Even if United is able to sustain its relationship with COSTCO, the levels of employment are likely to see significant seasonal oscillation, since the COSTCO order is for garden furniture that sells only in spring and summer.

- MR/Roda Roda is a large manufacturer of garden furniture, exporting its production to the UK and the U.S. It is also Bolivia's larger exporter of FSC-certified wood products, and accordingly carefully manages its own forestry concessions. BTBC is providing assistance and training in specialized kiln drying techniques for an expanding array of non-traditional tropical woods. The BTBC consultant, Osmar Aguiar, is expected to arrive in Bolivia in the second half of April to commence this technical assistance.

#### Summary of Results to March 2004 – Secondary Wood Products

<i><b>Companies</b></i>	<i><b>New Employees</b></i>	<i><b>New Exports US\$</b></i>	<i><b>New SMEs in export chains</b></i>
Casa Blanca	101	124,040	10
Mobilia	12	15,000	
Ultimate Design	15	38,400	1
Mabet	30	60,000	
Muebles Hurtado	40	90,000	
Ibema	8	90,000	
UNITED	419*	600,000	
<b>TOTAL</b>	<b>625</b>	<b>1,017,440**</b>	<b>11</b>

\* Seasonally adjusted. Actual number hired and trained is 938.

\*\* Total exports from new SME's: \$162,440

### **B.2.c. Other Activities**

BTBC continues pursuing additional leads for secondary wood products. Currently, BTBC has contacted the following three promising potential buyers.

- Hickory White / Sherrill / Theodore Alexander Furniture, North Carolina. Currently sourcing mostly from Asia and a small amount from Colombia. Due to uncertainties arising from the China anti-dumping case filed by the U.S., they are looking to increase their procurement in Latin America, and have expressed interest in meeting Bolivian suppliers. Jim Adams, CEO of the wood products division, is considering visiting Bolivia in mid-May to visit companies that BTBC will introduce.
- Vineyard Furniture, Louisiana. The company's procurement is currently concentrated in Asia. Similar to Hickory, Vineyard Furniture concerned about this supply source if the current China anti-dumping case proceeds in the U.S. Accordingly, Vineyard is looking to diversify into Latin America. They are in the final stages of developing new designs that they aim to source from new suppliers. Ron Ashley, CEO, is planning to visit Bolivia in April or May to visit companies that BTBC will introduce. He wants to identify a factory that will grow with Vineyard. To start, he is seeking a factory that is operating at about 50% capacity, with honorable and honest shareholders, state-of-the-art kiln drying, a US-standard finishing line, and has buying power (access to good wood prices and access to working capital). His idea is to train a person in Bolivia to coordinate production as a Vineyard employee.
- Holly Springs Furniture, Georgia. Holly Springs has expressed interest in furniture pieces by Escala Design and Occidental Furniture, as well as outdoor furniture in general. BTBC is arranging for quotes to be sent by Bolivian suppliers to Todd Cronic, President of Holly Springs.

### **B.3. Leather and Jewelry**

- Exportadores Bolivianos, La Paz. During 1Q04, BTBC completed its training program for Exportadores Bolivianos' new silver casting plant that was relocated to Bolivia from Mexico in part through BTBC assistance. BTBC trained 147 workers, representing 98% of the goal of 150 trained workers. Of these, 136 have been hired and 104 are considered permanent workers (53 women and 51 men). Actual new exports to end March have been \$3.8 million, over 75% of the target of \$5 million.
- Minerales y Metales (M&M), Santa Cruz. During 1Q04, Minerales y Metales, a miner and jewelry manufacturer of Bolivianite (Ametrine), completed the implementation of its new jewelry plant. Through consultant Paul Allan, BTBC assisted the company in layout design; equipment installation; tuning up and balancing the new equipment and machinery to maximize productivity; and, training for M&M jewelry production staff. During 1Q04 M&M also completed the photography and made substantial progress on

- the written content of a book on Bolivianite which is intended to create greater knowledge of this rare mineral and increase world demand.
- Macaws, Cochabamba. Macaws is a manufacturer of leather products. Since the commencement of BTBC support last September, MACAWS has generated 108 new jobs and \$300,000 in exports. Seven new primary SMEs and 28 new secondary SME's have been incorporated into Macaws' export production chain as subcontractors. With BTBC support, Macaws achieved the following results during 1Q04:
  - 39 people completed the BTBC-funded training program in leather upholstery techniques with an additional 10 to complete in mid April. In total MACAWS will have trained 98 people in leather upholstery techniques from September to April.
  - In March, Macaws received the extension of ISO 9001 and new certification for ISO 18001 until September 2004. MACAWS is one of very few and possibly the only manufacturing company in Bolivia to certify ISO 18001.
  - With the support provided through an expert in network production systems, MACAWS has been able to improve productivity by 8% and the network of SME's that manufacture for MACAWS have increased their income by 20%.
  - With the support provided through an expert in design and product development, MACAWS has created two new web pages during 1Q04. In the same period, 17 new products were developed.

#### Summary of Results to March 2004 – Jewelry and Leather Goods

<i>Companies</i>	<i>New Employees</i>	<i>New Exports US\$</i>	<i>New SMEs in export chains</i>
Export. Bolivianos	104	3,800,000	0
Minerales y Metales	8	0	0
Macaws	108	300,000	35
<b>TOTAL</b>	<b>220</b>	<b>4,100,000</b>	<b>35</b>

#### B.4. Market Linkage Activities

BTBC has undertaken a number of activities geared to increasing market linkages and ultimately exports for firms assisted by the project.

##### B.4.a. Business Development Material Project

This project began in December 2003 in response to the lack of business development materials to send to sales leads. These are not promotional materials, but rather professional presentations of specific information designed to respond to interest from *bona fide* foreign buyers. Such business development materials contain product photos, product specifications and options, pricing, quantities, etc, and are critical to buying decisions by potential customers/importers.

Through the work of BTBC consultant Natalia Campero, a Bolivian graphic designer, the project has been generating Product Data Sheets using existing materials. However, the quality of the available

photographs is very poor, and consequently BTBC plans to commence the second phase of the project, which consists of building a suitable stock of photographs using professional photographers and models.

These materials will not only allow BTBC to provide the sales leads with information and photographs that are not available today, but will also provide the ability to quickly and professionally present the specific Bolivian offering of products in each sector in such a manner that buying decisions can be made efficiently. We expect to complete this initiative by June 2004.

#### **B.4.b. Magic Marketplace Show in Las Vegas, Nevada**

To date, BTBC has financed an important portion of Bolivia's participation in the last two Magic Marketplaces in Las Vegas. BTBC provided \$58,000 in funding to assist in financing the August 2003 Magic and \$38,000 in funding for the February 2004 Magic. To date, the August Magic has generated \$512,000 in exports and the February Magic is expected to generate orders for more than \$600,000 or cost/return multiples of approximately 9 and 15.

The following table reflects actual and expected exports in US Dollars arising from Magic to date:

<i>Company</i>	<i>Product</i>	<i>August 03</i>	<i>February 04</i>	<i>Total</i>
Record	Jeans	46,000		46,000
Mel	Bathing Suits, Jeans	300,000		300,000
Mitsuba	Polos, Shirts	62,000	300,000	362,000
Jenecheru	Jeans		150,000	150,000
Exportadores de Altura	Alpaca Sweaters	70,000		70,000
Crisan	Alpaca Sweaters	7,000	10,000	17,000
Hilbo	Sweaters	7,000	10,000	17,000
Terraltas	Alpaca garments	20,000	9,000	29,000
Milos International	Alpaca coats		20,000	20,000
Gloria Thaine	Designer garments	1,000	6,000	6,000
Alpaca Style	Alpaca Capes		10,000	10,000
Altifashion	Alpaca coats		24,000	24,000
Neobol	Alpaca sweaters		30,000	30,000
Lucia McLean	Alpaca & cotton garments		75,000	75,000
Otros	Alpaca garments		40,000	40,000
<b>TOTAL SALES</b>		<b>\$512,000</b>	<b>\$684,000</b>	<b>\$1,196,000</b>
<b>TOTAL INVESTMENT</b>		<b>\$ 58,000</b>	<b>\$ 38,000</b>	<b>\$ 96,000</b>

Based on these results, BTBC is planning to support Bolivia's participation in August 04 Magic Marketplace with up to \$30,000 in financing.

#### **B.4.c. CANEB Business Development in the U.S.**

BTBC is providing assistance to the Camara Nacional de Exportadores de Bolivia (CANE) through a business development consultant. The purpose of this initiative is to assist 18 member companies committed to exporting high end alpaca garments to the US. The BTBC consultant, Luis Soto, is based in Orlando and began work in late November 2003. By the end of his contract Mr. Soto will have contacted over 100 potential customers and within six months following the end of his contract, he projects that these contacts will generate \$600,000 in new purchase orders. His contract also included several vendor missions to New York and other cities. Among the Bolivian companies that have attended these missions are Altifashion, Origenes Bolivia, Casual Wear, Alpaca Style, Gloria Thaine and Crisan. A BTBC representative joined the February mission to evaluate the results of these missions and to help the companies follow up on contacts and sales leads. His work ends in mid April 2004 with the presentation of final results and recommendations.

#### **B.4.d. Secondary Wood Products US Marketing Trip February 2004**

Sharon Sappington, BTBC consultant, undertook a marketing trip to the U.S. from February 8-23, 2004. During her trip Ms. Sappington followed-up and developed sales leads, visited businesses already importing Bolivian furniture to identify possible improvements, obtained updated information on the industry so as to be more proactive, and built/maintained relationships with current importers, potential importers and industry contacts.

### **B.5. Increasing Access to Capital**

#### **B.5.a. DCA Missions**

During 1Q04 BTBC was involved in two DCA missions to Bolivia. The first mission, by Alison Eskesen, resulted in the identification of two DCA projects to be taken to a second stage, namely a \$5 million portfolio guarantee for 1-3 Bolivian banks and a \$12.5 million bond guarantee for Ametex. The second mission, by Tryfan Evans, was a risk assessment of the proposed bond guarantee for Ametex, which concluded that the risk is too high and truncated the process. The \$5 million portfolio guarantee remains a prospect and, subject to the pricing impact of the reclassification of Bolivian country risk, may proceed in fiscal year 2005.

#### **B.5.b. Microfinance**

USAID launched its new microfinance project, Premier. BTBC has held coordination meetings with COP Steve Smith and members of his staff. BTBC gave Premier copies of the 19 business plans that were developed for the “Fondo de Maquicentros y Encadenamientos Productivos,” with a view to involving Premier in obtaining finance for them. A proposal is currently under consideration through which BTBC and Premier would jointly carry out a study of issues involved in SME finance in Bolivia, in which BTBC would focus on the borrowers’ perspective and Premier would focus on the lenders’ perspective.

## **B.6. Expanding Training for Instructors**

One key issue identified in Bolivia through feedback from entrepreneurs is that Bolivian training institutes and facilities are generally obsolete and inappropriate for the companies' needs. In order to begin addressing this issue, BTBC has reached an agreement with the GOB's Productivity and Competitiveness Unit (UPC using Spanish acronyms) to utilize the pool consultants to provide updated training to instructors. In addition to their track record and expertise, the pool consultants have a direct and up-to-date understanding of companies' needs, because they are working inside fourteen companies. To date, three full-day training seminars have been delivered in La Paz, Cochabamba and Santa Cruz. The seminars have been:

- Quality Control by Andrés Saldías, held in La Paz on January 29, 2004. Approximately 50 people attended, of which 19 were instructors and consultants from SAT (Servicio de Asistencia Técnica, a GOB technical assistance entity); 14 were instructors from private training institutes and 14 were independent consultants.
- Production Systems by José Jacobs, held in Cochabamba on February 13, 2004. Thirty people attended, of which 15 were instructors from SME-oriented service organizations (e.g. CADEPIA and Cámara de Confeccionistas de Cochabamba), 9 were instructors from private training institutes and 6 were in-house instructors from manufacturing companies.
- Production Systems by César Jaramillo, held in Santa Cruz on March 3, 2004. Seventy people attended, of which 16 were instructors from private training institutes, 16 were in-house instructors from manufacturing companies, 8 were independent consultants and 30 were students from the UPSA (Universidad Privada de Santa Cruz).

## **C. Activities to Define, Develop, and Analyze Long-term Interventions**

BTBC delivered to USAID/B on March 22, 2004 a forty page paper, in line with Specific Objective No. 2 under Task Order #11, Bolivia Trade and Business Competitiveness which states: "define, develop, and analyze additional and alternative interventions that might be supported by BTBC during the second phase of implementation, including implementation requirements for each, and their respective impact with respect to key objectives." The report includes the following sections:

- BTBC results to date and lessons learned
- Operating framework for BTBC II
- BTBC II program pillars
- Recommended program activities

## SECTION IV

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### Project Issues

#### **A. Counterpart Contributions to Pool Interventions**

BTBC is requiring that the beneficiary companies assume part of the costs of deploying the pool consultants. These counterpart contributions are established on a case-by-case basis, depending on the circumstances of each company. In general, more substantial counterparts are required from more affluent companies, and lesser counterparts from smaller enterprises.

Implementing a consistent and equitable system for establishing counterpart requirements has proven to be complex, even when done on a case-by-case basis. There are eleven consultants with five different areas of expertise, currently servicing fourteen companies in three different cities, and among the fourteen companies there are three distinct strata (small, medium and large) and each company has its own unique set of needs. Moreover, the projects relationship is often with the contracted consultant, and not with the company itself.

BTBC is addressing these issues. We expect to have a solution and agreements established with each company in the second quarter.

#### **B. Other Consultant Issues**

The average length of interventions by pool consultants tends to be longer than had been envisioned. An average of one week per intervention had been expected, but in practice most interventions are 2-3 weeks.

At the heart of competitiveness lies changing mindsets. Resistance to change has been greater than expected, both at a management and at a factory floor level. It is difficult to persuade management to try new techniques, and if results are not immediate they tend to go back to habitual practices. Experienced factory workers in Bolivia are generally accustomed to producing entire garments at each workstation, rather than serial production where only one operation is performed at each workstation. This also causes changes in remuneration schemes, which naturally lead to distrust among the workers. Under the traditional system, each worker is paid on a per unit basis for his individual production. Under a serial production system, more complex incentive schemes are implemented, involving a mixture of basic salaries and production bonuses. With the more experienced workers resisting the new production techniques, it is difficult to persuade the less experienced workers to do otherwise.

At the other end of the spectrum are cases where management has placed excessive confidence in the recommendations of the consultants. If the consultants' recommendations are implemented without question, important lessons learned from the entrepreneurs' own past experience can be excluded. This creates the risk that the entrepreneur will blame BTBC for any disappointing results. It is therefore critical to encourage debate between the consultants and the entrepreneurs.



Of particular concern to BTBC, there are cases where the companies have become dependent on the consultants and BTBC has difficulty moving these consultants to other companies. While this kind of situation suggests that the consultant's work is valuable, it also reduces the versatility of the consultant pool. We are paying close attention to these issues.

### **C. Wood Collection Hub Stalled**

FUNDA-PRO, a Bolivian Private Foundation, has been seeking private investors for the wood collection hub. The purpose of the hub is to permit the joint purchase of inventory unprocessed wood prior to the rainy season, so as to avoid a disruption of supplies for all participating firms. FUNDA-PRO has identified several potential investors. FUNDA-PRO has not pursued them, however, because they involve control of the wood collection hub by groups with vested interests in the industry. IMR/Roda has come closest to actually making a very small investment of \$50,000 on the understanding that the wood collection hub would be located near Roda's forestry concessions in Guarayos, east of Santa Cruz. However, it does not appear that Roda's investment will materialize. FUNDA-PRO is in the process of seeking other investors, but BTBC is losing confidence in the foundation's management of the process.

Other industry players continue to show interest in one or more wood collection hubs, and there is real demand for reliable and economic supplies of sawn and dried lumber. It is BTBC's view that FUNDA-PRO should not be given implicit exclusivity over the wood collection hub concept, and BTBC plans to back the most promising private initiative to implement an operational wood collection hub this calendar year.

## **SECTION V**

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### Major Activities for Next Quarter

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. Communications Campaign: “Foreign Trade and National Development”**

The Communications Program has proven to be a complex, detailed undertaking involving long discussions on its creative aspects, negotiations with Tironi, etc. We expect that the program will begin in full during Q2 2004, including the following actions:

- Approval and signing of subcontract with Tironi & Asociados SEC to implement the Communications Program.
- Approval and production of all creative pieces for mass media campaign (TV and radio spots, theme, logo, posters, promotional material).
- Preview presentation of Communications Program to business and media leaders, as well as to government representatives, in La Paz, Cochabamba and Santa Cruz.
- Start of TV and radio campaign (late May or June).
- First international seminar on the Importance of Foreign Trade for National Development, to be held in La Paz, Cochabamba and Santa Cruz.
- Approval and implementation of the Data Room and Monitoring Systems

##### **A.2. National Intellectual Property Service (SENAPI) Institutional Reform**

We expect the following actions in Q2:

- Approval of final document on “Intellectual Property Rights in Bolivia”, including a compilation of all applicable IPR norms and a proposal to strengthen the protection of intellectual property rights.
- Edition of the approved documents in a CD to be distributed among the specialized public.
- In coordination with the Viceministry of Industry, Commerce and Exports, BTBC will organize a series of events to present the findings of the study, particularly within the judiciary system.

##### **A.3. Proposal to Strengthen the Intellectual Property Rights (IRI) Regime in Bolivia**

We expect the following actions in Q2:

- Complete adjusted reform plan for SENAPI, as requested by Viceminister Solares by the end of April.
- We believe that the final reform plan will include a proposal for a Supreme Government Decree that will specifically confirm the application in Bolivia of the Andean Community

- Decisions regarding intellectual property rights. We will assist the lobbying efforts to get that Decree passed during 2Q2004.
- We expect to also carry out some lobbying activities to assist the Viceministry with the implementation of the SENAPI reform. In addition, BTBC stands ready to donate some computer equipment to a reformed SENAPI.

#### **A.4. Assistance in Training Bolivian Negotiators**

The Florida International University training courses for Bolivian negotiators will continue during May and June. The first course on trade negotiation case studies and role playing took place in early April. The second training activity (Market Access) will take place from May 2<sup>nd</sup> through May 9<sup>th</sup>. The third and last event (Impact Analysis of Trade Negotiations) will take place from June 6<sup>th</sup> through June 13<sup>th</sup>. Given the success of the first course, over 30 participants from the public and private sectors are expected to attend each of the following two trainings.

#### **A.5. Study of the Sectorial Impact of Bolivia's Entry into FTAA**

In April we expect conclusion of the final document, to be followed by presentations and discussions with representatives of the public, private and academic sectors. In Q2 we will also carry out distribution of the study on CDs, probably as part of the Communications Campaign.

#### **A.6. Study on the Prospects of the Soybean Sector in the FTAA**

We believe that the study will be completed in April. As the sectorial impact study, we expect a process of discussion and analysis similar to the impact study will be carried out during the month of May. A CD will be edited with this study

#### **A.7. Strategic Training for SMEs**

We are designing a training program in Strategic Management for SMEs with Universidad Catolica Boliviana.. We will hold an initial course to train 35 managers from the city of El Alto in the following areas:

- Key elements to improve productivity and competitiveness within their firms.
- Analysis and problem-solving using the “case studies” methodology.
- Leadership qualities and attitudes.

The training program includes three modules to be implemented one each month, starting June and going through August. Each module will last a full week. The modules are:

- Accounting, Basic Finance and Marketing.
- Entrepreneurial Strategy, Management and Leadership
- Business Simulation Workshop

During 2Q04 we expect to conclude the course design, recruit the participants, and initiate the first module of the training program.

## **B. Activities to Stimulate Production and Exports**

A key activity for Q2 is to review all agreements with existing client companies with respect to counterpart issues, joint responsibilities, reporting, etc. to ensure a more transparent process for productive sector enterprises.

Activities and results by sector are described below.

### **B.1. Textiles and Apparel**

- Increase the number of companies assisted by the consultant pool from 14 to 18.
- Train 100 new workers in apparel sewing operations in Santa Cruz and Cochabamba.
- Negotiate an agreement with Instituto Korea to provide worker training for BTBC clients in La Paz
- Assist Alfach and Trailer to achieve their first exports of blue jeans to the US, via Asea.
- Complete the cycle of export-oriented training for instructors, as follows:
  - April in La Paz – a series of seminars including quality control, productions systems, providing training to workers, and design and patterning.
  - May in Cochabamba – a similar series of seminars.
  - June in Santa Cruz – a similar series of seminars.
- Hire an additional denim laundering expert for the consultant pool and begin providing technical assistance to the denim laundering operations in the three main cities in Bolivia.
- Extend the contracts for the necessary consultants from the pool
- Inaugurate Asea's plant in Cochabamba
- Maintain and share a clear working plan for the consultant pool
- Recruit and deploy dedicated consultants in quality control and denim laundering for Record
- Meetings with other international cooperation agencies with a view to joint interventions, in order to leverage resources
- BTBC management to spend substantial time in the field working directly with our consultants and the companies

### **B.2. Secondary Wood Products**

- In collaboration with Casablanca, develop and implement the production assistance plan for its various manufacturers of secondary wood products.
- Monitor the training and induction of the new employees at United, and take measures to buttress the sustainability of the 700 new jobs.
- Deploy Osmar Aguiar, the kiln-drying consultant for IMR/Roda.
- Commence export oriented training seminars for instructors in secondary wood products.

- Support the commencement of the commercial relationship between Mobilia and Kincaid by contracting John Mercer, a Kincaid-recommended production consultant.
- Expand pool activities in Santa Cruz and Cochabamba.

### **B.3. Leather and Jewelry**

- Recruit and deploy two consultants in small leather goods for Macaws
- Publication of book on Bolivianite (Ametrine) to generate greater interest and stimulate demand for this uniquely Bolivian mineral.

### **C. Activities to Define, Develop, and Analyze Long-term Interventions**

With the presentation to USAID/B of the Phase II Conceptualization Paper in this Quarter, we have completed the major activity for this task. We will continue, however, to work with USAID in analyses and, where appropriate, pilot efforts that may shed light on future USAID interventions in the area of trade and competitiveness.

## SECTION VI

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### Financial and LOE Expenditures

#### A. Summary Financial Expenditures

The table below reflects the total amount of the contract, including the increase approved for the implementation of the *Communications Program about the Importance of Foreign Markets for Bolivia*. Expenditures to date are 46% of total Contract Budget, which might seem low given a conclusion date of December 2004, however, as will be seen below, quarterly expenditures have been growing significantly and steadily, so that we believe that the contract budget could be fully spent by the end of the year.

<b>Financial Budget Summary January - March, 2004</b>	
Contract Budget	6,997,251.00
Expenditures this Quarter	1,172,031.52
Expenditures to Date	3,216,015.47
<b>Remaining Balance</b>	<b>\$3,781,235.53</b>

The evolution of quarterly expenditures since the beginning of the project is reflected in the following table:

<b>Cost Category</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Quarter 5</b>
Level of Effort	93,067.45	271,123.15	391,069.82	582,469.92	886,782.17
Support Staff Salaries		4,105.85	5,558.76	16,024.14	17,769.71
Travel & Transportation	30,529.37	11,473.24	15,372.78	29,137.31	23,005.30
Allowances	9,223.71	37,201.79	21,264.06	21,650.96	24,059.09
Other Direct Costs	3,141.04	31,577.35	30,777.19	28,574.40	30,992.22
Equipment & Vehicles	4,596.75	75,069.58	3,382.70	5,115.63	5,936.61
Subcontracts/Grants			161,445.54	126,880.17	176,107.22
G & A	2,407.77	8,082.98	14,051.32	9,609.22	8,220.35
<b>Grand Total</b>	<b>\$142,966.09</b>	<b>\$438,633.94</b>	<b>\$642,922.17</b>	<b>\$819,461.75</b>	<b>\$1,172,872.67</b>

Expenditures grew 46% from Q2 to Q3, another 27% from Q3 to Q4, and 43% from Q4 to Q5. As can be seen from the table above, most of this growth was due to increased LOE, although subcontracts became an important component of expenditures beginning Q3.

For Q6 we expect LOE to remain relatively consistent with Q5 rates, but there will be a significant increase in subcontracts/grant expenditures. Half of the substantial Tironi subcontract for the Communications Campaign should be disbursed by June. Additionally, the Florida International University subcontract for Training Trade Negotiators will be executed during the months of April, May and June. Other additional subcontracts, such as one to Universidad Católica de Bolivia for SME manager training will also be awarded.

The growth of activities during this quarter has increased our permanent personnel to 15. More impressive is the growth in short term consultants, which during this quarter reached a record high of 77, including the pools of consultants for the textile and wood sectors, the SENAPI team and the ALCA impact and Soybean studies. We expect the amount of permanent employees to remain relatively constant to the end of the project, but the number of short-term consultants will diminish during the third and fourth quarters of 2004.

## **B. Level of Effort (LOE)**

The following table details the Level of Effort used by the project in each of the quarters during the year 2003 and the first quarter of 2004. LOE expenditure is almost duplicating, quarter by quarter. We expect that in the following quarter LOE usage will stabilize, and begin declining towards the end of the project.

<b>LOE by Quarter During 2003 – 1<sup>st</sup> Quarter 2004</b>						
	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Quarter 5</b>	<b>Total</b>
<b>Level of Effort</b>	<b>97.25</b>	<b>435.36</b>	<b>793.79</b>	<b>1,261.97</b>	<b>2,593.93</b>	<b>5,182.30</b>

As a result of intensive LOE usage, this quarter we have surpassed the contract Budget LOE, as can be seen the following Summary Chart. This is due to the fact that there has been a far greater use of CCN short-term consultants than was originally envisioned. The benefit to the project is that this has reduced the average price of LOE employed and therefore the total amount that can be provided within the current contract total. In terms of dollar outlays, essentially we have done more with less.

We are currently engaged in talks with USAID/B in order to make the necessary adjustments in the contract to reflect this increase in LOE.

<b>Level of Effort (Person Days) Summary Chart</b>	
Total Contract LOE	4,753.00
LOE Expended this Quarter	2,593.93
LOE Expended To Date	5,182.30
<b>Remaining LOE</b>	<b>- 429.30</b>



## Annex B

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### SOW, Candidate, Salary Approvals and Contracts

<b>MONTHS</b>	<b>Approvals SOW</b>	<b>Aprovals - Candidates</b>	<b>Approvals - Salary</b>	<b>Contracts</b>	<b>Grants</b>	<b>Sub grants</b>	<b>TOTAL</b>
Feb,2003	2	-	-	-	-	-	2
Mar,2003	-	1	-	1	-	-	2
April,2003	5	1	1	1	-	-	8
May,2003	2	6	-	1	-	-	9
June ,2003	3	-	5	5	-	-	13
July ,2003	12	8	3	3	-	-	26
Aug,2003	11	3	3	3	2	1	23
Sep,2003	7	8	4	3	2	-	24
Oct,2003	15	12	8	8	1	-	44
Nov,2003	10	16	16	13	-	1	56
Dec,2003	15	19	19	21	1	-	75
Jan,2004	-	2	8	8	-	1	19
Feb,2004	4	5	6	11	2	-	28
Mar,2004	-	4	7	5	-	1	17
<b>TOTAL</b>	<b>86</b>	<b>85</b>	<b>80</b>	<b>83</b>	<b>8</b>	<b>4</b>	<b>346</b>